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FM AMEMBASSY RANGOON
TO RUEHC/SECSTATE WASHDC IMMEDIATE 7499
INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHBY/AMEMBASSY CANBERRA 1129
RUEHBJ/AMEMBASSY BEIJING 1849
RUEHKA/AMEMBASSY DHAKA 4857
RUEHNE/AMEMBASSY NEW DELHI 4676
RUEHUL/AMEMBASSY SEOUL 8217
RUEHKO/AMEMBASSY TOKYO 5779
RUEHCN/AMCONSUL CHENGDU 1451
RUEHCHI/AMCONSUL CHIANG MAI 1555
RUEHCI/AMCONSUL KOLKATA 0309
RUEAIIA/CIA WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEKJCS/DIA WASHDC
RUEHGV/USMISSION GENEVA 3648
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEKJCS/JOINT STAFF WASHDC
RUCNDT/USMISSION USUN NEW YORK 1534
RUEHBS/USEU BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 03 RANGOON 000328

SIPDIS

STATE FOR EAP/MLS; INR/EAP; OES FOR JMOTKE AND ACOVINGTON;
EAP FOR JYAMAMOTO; EEB FOR TSAEGER
PACOM FOR FPA;
TREASURY FOR OASIA: SCHUN

E.O. 12958: DECL: 05/06/2018
TAGS: [ECON](#) [ENRG](#) [PGOV](#) [EPET](#) [SENV](#) [BM](#)
SUBJECT: BURMA: FUEL SHORTAGE IMMINENT

REF: A. RANGOON 323
[1](#)B. RANGOON 310
[1](#)C. 07 RANGOON 1035

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Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4
(b and d)

[1](#)1. (C) Summary. Burma will soon face a shortage of fuel, Petronas Cargali Production Manager Bob Thomas told us. Burma imports approximately 110 million barrels of crude oil a year from Malaysia - roughly three-quarters of domestic need - which it refines into diesel and petrol. However, crude oil imports are currently at a standstill for three reasons, Thomas noted. First, the cyclone sunk approximately 80 ships in the Rangoon River, cutting off access to the Rangoon Port and oil refinery. The jetties surrounding the port and refinery are also damaged, making it impossible for ships to dock and unload cargo. Without international assistance, it could take months to remove the debris and repair the jetties. Second, the oil refinery was damaged by the storm and the GOB may not be able to refine crude oil into diesel and petrol. Third, Malaysian-owned Petronas, which sells crude oil to the GOB, is unlikely to consider shipping additional oil to Burma until the GOB pays off its considerable debt, estimated to be in the tens of millions of dollars. The GOB has not publicized the quantities of its stockpiles of diesel and petrol. Businesses have begun making some effort to conserve fuel in Rangoon. A fuel shortage will make it difficult for the GOB to undertake recovery activities, will further drive up the cost of food and water, and may add to potential political unrest. End Summary.

Reliance on Imports of Crude Oil

12. (C) Although Burma successfully produces gas from its offshore fields, its onshore oil field production is severely limited. Oil fields produce approximately 10,000 barrels of oil a day, far less than domestic demand of 40,000 barrels a day (Ref C). The GOB denies that it imports crude oil, although industry insiders confirm that the regime imports it from Malaysia, through its contract with Malaysian government-owned Petronas. Bob Thomas, Production Manager at Petronas Cargali, told us that the GOB imported more than 110 million barrels of crude oil from Petronas in 2007. (Note: Petronas Cargali, while a member of the Petronas group of companies, is technically a separate entity that manages the Yetagun offshore gas field. End Note.)

Port and Refinery Facilities Blocked

13. (C) Thomas told us that Burma will soon face a severe shortage of fuel, including diesel and petrol - this shortage will affect Burma's ability to recover from Cyclone Nargis (Ref B). Economic contacts confirm that the cyclone, with its 120-mile per hour winds, sunk approximately 80 registered ships in Rangoon River. The sunken ships and debris effectively block any ships from reaching either the Rangoon Port or the oil refinery, both of which are more than 20 miles from the mouth of river. According to Thomas, the GOB normally clears sunken ships from the river by sending in a dive crew, which uses saws and machetes to cut the ships into pieces. This can take up to six months for one ship, he stated. The GOB lacks the technology to raise the 80 ships and remove them, and would have to depend on international assistance to dredge the river, he opined. The GOB has not

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acknowledged that access to the port is a problem, nor has it requested any assistance in dredging the Rangoon River. Additionally, Thomas noted that even if the ships could enter the Rangoon River, the cyclone destroyed all the jetties, making it impossible for any ships to dock at either the port or the refinery.

14. (C) Lack of access to the oil refinery is just part of the problem, he continued. The cyclone damaged the refinery, which was built by the British in the 1920s; however, the GOB has not commented on whether it can still refine crude oil. Thomas noted that the GOB on May 5 declined to purchase condensate from Petronas Cargali, which it mixes with crude oil to make petroleum and diesel. Thomas doubted the GOB had enough stocks of condensate, since the last sale was two months ago, and opined that the reason it did not take the condensate stock was because it could not actually refine the crude oil.

15. (C) The GOB has a larger problem on hand, Thomas noted. It has not paid Malaysian-owned Petronas for crude oil in at least six months, owing the company millions of dollars. Thomas could not cite the exact figure, but opined that since the Petronas CEO (who rarely travels, particularly to Burma) visited Nay Pyi Taw in March to discuss lack of payment with the senior generals, the figure must be quite high. Until the GOB makes an effort to pay off its debt to Petronas, the company is unlikely to bring in additional crude oil, he explained. Petronas may change its mind, depending on discussions between the Burmese and Malaysian Governments. This could take time, he explained, and Burma may face a fuel shortage in the near future, unless it can pay part of its bill, quickly dredge the river, and repair the refinery.

Supplies of Fuel Unknown

16. (C) Because Burma produces some crude oil domestically, the GOB will be able to refine small amounts of diesel and petrol, Thomas acknowledged. The Mann Refinery, located in Chauk (south of Mandalay in Magwe Division), is still

operational, although its refining capabilities are quite low, he told us. The GOB has not publicly stated how much petrol and diesel it has in reserve. He suggested that the USG use satellite imagery to identify the fuel tanks and estimate how much the GOB could have in reserve.

¶17. (C) During the past two days, we have seen few efforts being made throughout Rangoon to conserve fuel. With power lines down, people and businesses depend solely upon diesel-powered generators for electricity. Many hotels are running on generators 24-hours a day and the largest hotel in Rangoon continues to operate its night club, gym, and spa rather than shutting operations to conserve fuel. Some hotels and apartments have begun to ration its use of fuel, cutting off the power for up to 12 hours a day and stopping non-essential services.

¶18. (SBU) Black market prices of fuel continue to increase around Rangoon, contacts tell us. Yesterday, petrol sold for 8,000 kyat (\$7.20) a gallon and diesel sold for 10,000 kyat (\$9.00) a gallon (Ref A). Today, prices jumped up more - one gallon of petrol cost 11,000 kyat (\$10.00) and diesel cost up to 16,000 kyat (\$14.54) a gallon in some areas. Throughout the city, people wait for hours in long queues to fill up their gas tanks. Some people use the gas to power their taxis, charging fares that are approximately 400 percent higher than pre-cyclone levels. However, many purchase the

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gas to resell on the black market, allowing them to earn some money they can use to buy food and supplies.

Comment

¶19. (C) A shortage of fuel will have long-term and widespread affects on all sectors of Burma's economy. As the black market rates of fuel increase, transportation and shipping costs also increase, which affect both the cost and availability of food in local markets. Additionally, without fuel, the GOB will be unable to supply water from the reservoirs to those in need and the Burmese will be unable to use generators to pump whatever water is available to their homes. Lack of fuel will mean lack of water and worsening health and sanitary conditions. The Burmese are hungry, thirsty, and tired of paying higher prices because of the government's inability to manage the situation or prepare for the cyclone. There is only so much the people can take. Further fuel shortages could add to potential political unrest.
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